

**GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING**

**ANNUAL FINANCIAL STATEMENTS
AUDITORS' REPORT**

June 30, 2008

**GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
GLADWIN, MICHIGAN**

Table of Contents

INDEPENDENT AUDITORS' REPORT	1 – 2
Management's Discussion and Analysis.....	3 - 6
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	7
Statement of Activities.....	8
Statement of Cash Flows	9 - 10
Notes to Financial Statements.....	11 - 17
SUPPLEMENTARY INFORMATION	
Combining Statement of Net Assets.....	18
Combining Statement of Revenues, Expenses and Change in Net Assets.....	19
REPORT REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	
Report on Compliance and on Internal Control Over Financial Reporting Based On an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	20 - 21

Independent Auditors' Report

Members of the Board of Commissioners
Gladwin City Housing Commission
Gladwin, Michigan

We have audited the accompanying financial statements of the business-type activities of the Gladwin City Housing Commission Public Housing Project No. 1095 and ACC No. C-3078, as of and for the year ended June 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Housing Commissions management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

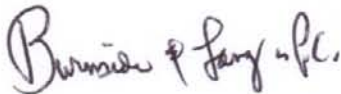
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Gladwin City Housing Commission Public Housing, as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of the Gladwin City Housing Commission Public Housing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

October 31, 2008

The management's discussion and analysis information on pages 3 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Gladwin City Housing Commission Public Housing. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Bernard J. Lang, CPA". The signature is written in a cursive, flowing style.

Midland, Michigan

October 31, 2008

GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Our discussion and analysis of the Gladwin City Housing Commission – Public Housing's financial performance provides an overview of Public Housing's activities of the year ended June 30, 2008.

Public Housing is a Proprietary Fund of the Gladwin City Housing Commission (Housing Commission) that accounts for the activities of a 50 unit low rent housing project and a 20 unit low rent scattered site project. These programs receive subsidies and annual contributions from the Department of Housing and Urban Development (HUD). The accompanying financial statements present the results of operations for Public Housing only, and do not include any other activities or programs of the Housing Commission.

Financial Highlights

Public Housing reported a change in net assets of \$(12,193) for the year, resulting in ending net assets of \$813,689.

Using this Annual Financial Report

The annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of Public Housing. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Reporting Public Housing as a Whole

The *government-wide financial statements* are designed to provide readers with a broad overview of Public Housing's finances in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of Public Housing's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Public Housing is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

The Statement of Activities presents information showing how Public Housing's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements report functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Reporting on Public Housing

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Funds – Proprietary funds are reported in the fund financial statements and generally report services for which the Government charges customers a fee. Proprietary funds essentially encompass the same functions reported as business-type activities in the government-wide statements. The Housing Commission uses a proprietary fund to account for Public Housing.

Notes To The Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Financial Analysis of Public Housing

The most common financial question posed to the Housing Commission is “How did we do financially during the fiscal year?” The Statement of Net Assets and the Statement of Activities report information about the Housing Commission’s activities in a way that will help answer this question. The two statements report the net assets of Public Housing and the change in them.

Exhibit A below summarizes the statement of net assets.

Exhibit A

	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 152,000	\$ 133,000
Capital assets – net of accumulated depreciation	<u>710,000</u>	<u>733,000</u>
Total assets	862,000	866,000
 Liabilities		
Current liabilities	<u>49,000</u>	<u>40,000</u>
 Net Assets		
Investment in capital assets	710,000	733,000
Unrestricted	<u>103,000</u>	<u>93,000</u>
Total net assets	<u>\$ 813,000</u>	<u>\$ 826,000</u>

GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Exhibit A focuses on the net assets of Public Housing, which were \$813,689 at June 30, 2008. Investment in capital assets, totaling \$710,763, compares the original cost, less depreciation of the Housing Commission's capital assets to long-term debt used to finance the acquisition of those assets, if any.

The \$102,926 in unrestricted net assets of business-type activities represents the *accumulated* results of all past and current year's operations.

The results of this year's operations for Public Housing are reported in the statement of activities, as summarized in Exhibit B, which shows the changes in net assets for the year, ended June 30, 2008 and 2007.

Exhibit B

	2008	2007
Revenue		
Program revenue:		
Charges for service	182,000	\$ 186,000
Operating grants	209,000	171,000
General revenue:		
Other	8,000	0
Interest income	3,000	7,000
	<hr/>	<hr/>
Total revenue	402,000	364,000
 Function/Program Expenses		
Public Housing	414,000	428,000
	<hr/>	<hr/>
 Increase (Decrease) in Net Assets	 (12,000)	 \$ (64,000)
	<hr/>	<hr/>

Budgetary Highlights

The preparation of budgets is not required for proprietary funds.

Capital Assets

The Public Housing had \$710,763 net of accumulated depreciation, invested in capital assets as of June 30, 2008. The investment in capital assets includes land, building, equipment and dwelling equipment.

GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
Management's Discussion & Analysis
For the Year Ended June 30, 2008

	2008	2007
Land	212,000	\$ 212,000
Buildings and improvements	2,227,000	2,175,000
Equipment	54,000	54,000
Dwelling equipment – nonexpendable	183,000	181,000
	<hr/>	<hr/>
Total capital assets	2,676,000	2,622,000
	<hr/>	<hr/>
Less accumulated depreciation	1,965,000	1,889,000
	<hr/>	<hr/>
Net capital assets	\$ 711,000	\$ 733,000
	<hr/>	<hr/>

Factors Expected to have an Effect on Future Operations

We are not aware of any factors that will have a significant impact on future operations.

Requests For Information

This financial report is designed to provide a general overview of the Housing Commission's finances for all those with an interest in the Housing Commission. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Lauren Essenmacher
Deputy Director
Gladwin City Housing Commission
215 S. Antler Street
Gladwin, MI 48624

GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
STATEMENT OF NET ASSETS
June 30, 2008

	<u>2008</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 150,212
Tenant accounts receivable	(1,767)
Accounts receivable - Other	378
Inventory	1,717
Prepaid expenses	1,108
Total current assets	<u>151,648</u>
Noncurrent assets:	
Property and equipment, net	<u>710,763</u>
Total assets	<u><u>862,411</u></u>
LIABILITIES	
Accounts payable	7,632
Accrued liabilities	25,861
Tenant security deposits	15,229
Total liabilities	<u><u>48,722</u></u>
NET ASSETS	
Invested in capital assets	710,763
Unrestricted	102,926
Total net assets	<u><u>\$ 813,689</u></u>

The accompanying notes are an integral part of these financial statements.

GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2008

	2008
OPERATING REVENUE	
Net tenant rental revenue	\$ 169,273
Excess utilities	4,710
Tenant revenue - other	8,364
Total operating revenue	<u>182,347</u>
OPERATING EXPENSES	
Administration	70,147
Tenant services	8,036
Utilities	75,773
Ordinary maintenance and operation	43,762
General expenses	75,545
Depreciation	77,771
Employee benefits	63,920
Total operating expenses	<u>414,954</u>
Operating income (loss)	<u>(232,607)</u>
NONOPERATING REVENUE (EXPENSES)	
HUD operating subsidy	125,452
HUD Capital Fund Program revenue	83,606
Interest income	3,487
Other nonoperating revenue	7,869
Total nonoperating revenue (expenses)	<u>220,414</u>
Change in net assets	<u>(12,193)</u>
Total net assets - beginning	<u>825,882</u>
Total net assets - ending	<u><u>\$ 813,689</u></u>

The accompanying notes are an integral part of these financial statements.

GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
STATEMENT OF CASH FLOWS
For the Year Ended
June 30, 2008

	2008
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 204,543
Cash payments to suppliers for goods and services	(154,492)
Cash payments to employees for services	(172,847)
Net cash provided (used) by operating activities	<u>(122,796)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
HUD operating subsidy	<u>125,452</u>
Net cash provided by noncapital financing activities	<u>125,452</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
HUD Capital Fund Program revenue and other	140,189
HUD Capital Fund Program purchases	<u>(50,769)</u>
Net cash provided (used) by capital and related financing activities	<u>89,420</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(53,405)
Interest and dividends	<u>3,487</u>
Net cash provided (used) by investing activities	<u>(49,918)</u>
Net increase (decrease) in cash and cash equivalents	42,158
Cash and cash equivalents, beginning of the period	<u>108,054</u>
Cash and cash equivalents, end of the period	<u><u>\$ 150,212</u></u>

The accompanying notes are an integral part of these financial statements.

**GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended
June 30, 2008**

	<u>2008</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (232,607)
Adjustments to reconcile net loss to net cash provided (used) by operating activities	
Depreciation expense	77,771
Decrease (increase) in operating assets	
Tenant accounts receivable	1,616
Tenant accounts receivable - HUD	20,542
Accounts receivable	37
Inventory	607
Prepaid expenses	4
Increase (decrease) in operating liabilities	
Accounts payable	4,946
Accrued liabilities	5,163
Tenant security deposits	(875)
Net cash provided (used) by operating activities	<u><u>\$ (122,796)</u></u>

The accompanying notes are an integral part of these financial statements.

**GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

Entity

The Gladwin City Housing Commission Public Housing, herein after referred to as the “Housing Commission”, is a component unit of the City of Gladwin, Michigan as defined by the Governmental Accounting Standards Board’s (GASB) Statement No. 14, *The Financial Reporting Entity* and *Statement of Michigan Governmental Accounting and Auditing No. 5*, which define the reporting of primary government and component unit activities. The basic criterion for being considered a component unit is the exercise of financial responsibility over such a unit by a primary government, the appointment of the unit’s governing board by a primary government, the designation of management by a primary government, or the ability to exert significant influence on the budget and operations of the unit by a primary government. As a result of being identified as a component unit, the Commission’s financial records have been included as a discretely presented component unit in the general purpose financial statements of the City of Gladwin.

These financial statements include all activities of the Housing Commission, which includes an elderly housing program (50 units) and a family program (20 units). These programs receive subsidies and annual contributions from the Department of Housing and Urban Development (“HUD”).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Government activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All of Public Housing’s government-wide activities are considered business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include, (1) charges to customers, or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting operations or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenue.

**GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Accounts receivable consist of tenant and utility charges to Public Housing tenants. Accounts receivable are stated at actual since Public Housing utilizes the direct write-off method for bad debts. The direct write-off method recognizes a bad debt expense only when a specific account is determined to be uncollectible. The application of this method is not deemed materially different than the allowance method which is prescribed for purposes of U.S. generally accepted accounting principles.

Prepaid Expenses

The Housing Commission follows the practice of recording as prepaid expense those payments that are for services that benefit periods subsequent to the financial statement date.

Encumbrances

Encumbrances for the recognition of commitments to unperformed contracts are not recorded.

Administration Expense

Expenses incurred by the Housing Commission for administration of the programs are allocated to the separate programs based on the HUD approved budget.

Compensated Absences

The Housing Commission records a liability for compensated absences for any employee vacation, sick time or other benefits which meet the requirements for recording of a liability.

Property and Equipment and Depreciation

Property and equipment are stated at cost. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 40 years. Donated capital assets are recorded at estimated fair market value at the date of donation.

**GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Tax Calendar

The Housing Commission receives no support from property tax collections. Therefore, no property tax calendar is presented.

NOTE 2. CASH AND CASH EQUIVALENTS

Michigan Compiled Laws, Section 129.91, authorizes the Housing Commission to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States Banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Housing Commission has designated one bank for the deposit of its funds. The investment policy adopted by the Housing Commission in accordance with Public Act 196 of 1997, has authorized investment in (a) bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; (b) certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution; (c) commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase; (d) repurchase agreements consisting of instruments listed in (a); (e) banker's acceptances of United States Banks; (f) obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service; (g) mutual funds registered under the investment company act of 1940, title 1 of chapter 686; (h) investment pools through an inter-local agreement under the urban cooperation act of 1967, PA 7; (i) investment pools organized under the surplus funds investment pool act of 1982, PA 367; (j) the investment pools organized under the local government investment pool act of 1985, PA 121. The Housing Commission's deposits and investments are in accordance with statutory authority.

At June 30, 2008 and 2007, the bank balances of the Housing Commission were \$150,212 and \$108,054, respectively; \$100,000 of these amounts were covered by federal depository insurance.

**GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk

In accordance with its investment policy, the Housing Commission will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, Public Housing had no investments.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, Public Housing's deposits may not be returned to it. As of June 30, 2008, the Public Housing's bank balance of \$151,648 was not exposed to custodial credit risk since all excess cash is invested in U.S. Treasury obligations.

**GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

NOTE 3. LAND, STRUCTURES, AND EQUIPMENT

The following is a schedule of land, structures, and equipment as of June 30, 2008 and 2007:

	<u>6-30-2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>6-30-2008</u>
<u>Low Rent Program</u>				
Land	\$ 211,951	\$ -	\$ -	\$ 211,951
Site Improvements	132,836	-	-	132,836
Buildings	1,715,775	-	-	1,715,775
Building Improvements	257,002	52,051	-	309,053
Nondwelling structures	69,776	-	-	69,776
Dwelling equipment nonexpendable	181,373	1,354	-	182,727
Office furniture and equipment	53,455	-	-	53,455
Total	2,622,168	53,405	-	2,675,573
Less: Accumulated Depreciation	1,889,087	75,722	-	1,964,809
Net Book Value	<u>\$ 733,081</u>	<u>\$(22,317)</u>	<u>\$ -</u>	<u>\$ 710,764</u>

NOTE 4. RISK MANAGEMENT

The Housing Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Housing Commission manages risk through the purchase of commercial insurance.

The Gladwin City Housing Commission is a member of the Housing Authority Risk Retention Group (HARRG) and the Housing Authority Property Insurance Group (HAPI). HARRG and HAPI are public entity risk pools. Public entity risk pools are cooperative groups of governmental entities joining together to finance an exposure, liability, or risk. Liability insurance is provided to the Housing Commission by HARRG and property insurance is provided by HAPI. More specifically, HARRG is classified as a risk sharing pool, which is an arrangement by which government's pool risks and funds and share in the cost of losses. HAPI is an insurance purchasing pool, which is an arrangement by which governments pool funds or resources to purchase commercial insurance products. HAPI buys property and casualty insurance from the Travelers Indemnity Company who reinsures the coverage with the American Reinsurance Company.

**GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

NOTE 4. RISK MANAGEMENT (Continued)

To be a part of HAPI and HARRG, the Housing Commission was required to make an initial surplus contribution. Premiums are then paid to the pools throughout the year to remain a member. Additional surplus contributions may be required by the pools in order to maintain adequate surplus to premium ratios for each member. HAPI and HARRG keep record of surplus accounts for each member. These accounts include initial and additional surplus contributions plus any dividends declared or paid to the member and any other adjustments for earnings and losses based upon a member's underwriting experience. Upon withdrawal, the Housing Commission would be entitled to receive total surplus contributions paid in over a five year period or to leave its surplus account with the pools and share in all allocations as if it were still a member.

NOTE 5. PENSION PLAN

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description

The Gladwin City Housing Commission participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible employees of the Gladwin City Housing Commission, through its association with the City of Gladwin. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. The report may be obtained by writing to the System at:

Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, Michigan 48917
Or by calling 1-800-767-6377

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Gladwin City Housing Commission on November 8, 2003, by resolution of the Board. The plan requires a 3% contribution by the employees to the System. The Housing Commission is required to contribute based on an actuarially determined rate.

**GLADWIN CITY HOUSING COMMISSION
PUBLIC HOUSING
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

NOTE 5. PENSION PLAN (Continued)

Annual Pension Costs

For year ended June 30, 2008, the Housing Commission's annual pension cost of \$113,940 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age normal actuarial cost method. Significant actuarial assumptions used include, (1) an 8.0% investment rate of return, (2) projected salary increases of 4.5% per year, and (3) 4.5% per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four year period.

The following three year trend information as of December 31, 2007 is for the entire Gladwin City Housing Commission.

	2005	2006	2007
Annual pension cost	\$ 112,718	\$ 112,408	\$ 113,940
Percentage of APC contributed	100%	100%	100%
Net pension obligation	0	0	0
Actuarial value of assets	878,150	1,063,688	1,162,829
Actuarial accrued liability	2,010,435	2,262,731	2,542,524
Unfunded AAL	1,132,285	1,199,043	1,273,611
Funded ratio	44%	47%	55%
Covered payroll	705,810	661,221	712,341
UAAL as a percentage of covered payroll	160%	181%	179%

NOTE 6. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Housing Commission's operations are concentrated in the multifamily real estate market. In addition, the Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of state or federal legislature or an administrative change by HUD. Such changes may occur with little or inadequate funding to pay for the related costs, including additional administrative burden, to comply with a change.

NOTE 7. FEDERAL GRANTS

The Housing Commission's expenditures under federal grant programs did not exceed \$500,000 for the year ended June 30, 2008; therefore, the Housing Commission was not subject to a Single Audit as required by OMB Circular A-133.

SUPPLEMENTARY INFORMATION

GLADWIN HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Public Housing Elderly Housing Program	Public Housing Capital Fund Program	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 150,212	\$ -	\$ 150,212
Tenant accounts receivable	(1,767)	-	(1,767)
Accounts receivable - Other	378	-	378
Inventory	1,717	-	1,717
Prepaid expenses	1,108	-	1,108
Total current assets	<u>151,648</u>	<u>-</u>	<u>151,648</u>
Noncurrent assets:			
Property and equipment, net	<u>710,763</u>	<u>-</u>	<u>710,763</u>
Total assets	<u>862,411</u>	<u>-</u>	<u>862,411</u>
LIABILITIES			
Accounts payable	7,632	-	7,632
Accrued liabilities	25,861	-	25,861
Tenant security deposits	<u>15,229</u>	<u>-</u>	<u>15,229</u>
Total liabilities	<u>48,722</u>	<u>-</u>	<u>48,722</u>
NET ASSETS			
Invested in capital assets	710,763	-	710,763
Unrestricted	<u>102,926</u>	<u>-</u>	<u>102,926</u>
Total net assets	<u><u>\$ 813,689</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 813,689</u></u>

GLADWIN HOUSING COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended
June 30, 2008

	Public Housing Elderly Housing Program	Public Housing Capital Fund Program	Total
OPERATING REVENUE			
Net tenant rental revenue	\$ 169,273	\$ -	\$ 169,273
Excess utilities	4,710	-	4,710
Tenant revenue - other	8,364	-	8,364
Total operating revenue	<u>182,347</u>	<u>-</u>	<u>182,347</u>
OPERATING EXPENSES			
Administrative	70,147	-	70,147
Tenant services	8,036	-	8,036
Utilities	75,773	-	75,773
Ordinary maintenance and operation	43,762	-	43,762
General expenses	75,545	-	75,545
Depreciation	77,771	-	77,771
Employee benefits	63,920	-	63,920
Total operating expenses	<u>414,954</u>	<u>-</u>	<u>414,954</u>
Operating income (loss)	<u>(232,607)</u>	<u>-</u>	<u>(232,607)</u>
NONOPERATING REVENUE (EXPENSES)			
HUD operating subsidy	125,452	-	125,452
HUD Capital Fund Program revenue	32,837	50,769	83,606
Interest income	3,487	-	3,487
Other nonoperating revenue	7,869	-	7,869
Total nonoperating revenue (expenses)	<u>169,645</u>	<u>50,769</u>	<u>220,414</u>
TRANSFERS			
Transfers in	50,769	-	50,769
Transfers out	-	(50,769)	(50,769)
Change in net assets	(12,193)	-	(12,193)
Total net assets - beginning	825,882	-	825,882
Total net assets - ending	<u><u>\$ 813,689</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 813,689</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Gladwin City Housing Commission
Public Housing
HUD Project NO. MI095 and ACC No. C-3078
Gladwin, Michigan

We have audited the financial statements of Gladwin City Housing Commission Public Housing as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gladwin City Housing Commission Public Housing's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gladwin City Housing Commission Public Housing's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Gladwin City Housing Commission Public Housing's internal control over financial reporting.

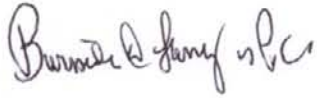
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Gladwin County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gladwin City Housing Commission Public Housing's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, Gladwin City Housing Commission Public Housing, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Burnside & Lang, P.C.".

Burnside & Lang, P.C.
Midland, Michigan
October 31, 2008